

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

MT. CARMEL PUBLIC UTILITY CO.	:	
	:	
Petition for an Order of the Commission	:	07-0225
authorizing issuance of a Consolidated	:	
Note under 220 ILCS 5/6-102.	:	

ORDER

By the Commission:

On March 27, 2007, Mt. Carmel Public Utility Co. ("Mt. Carmel" or "Petitioner") filed with the Illinois Commerce Commission ("Commission") a verified Petition, as subsequently amended, pursuant to Section 6-102(b) of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 *et seq.* The Petition seeks all necessary authorizations for Mt. Carmel to issue a note in a principal amount not to exceed \$8,000,000, and for the execution of documents securing property in connection therewith.

Staff filed a response to Mt. Carmel's Amended Petition, in which it recommends approval of the authorization sought in the Amended Petition. Staff also recommends that Mt. Carmel be required to pay a fee under 220 ILCS 5/6-108 in the amount of \$19,200. No issues were contested. The parties stipulated to the admission into evidence without trial of Mt. Carmel ex. 1.0 and 1.1, sponsored by Mr. Dan E. Long, and Staff ex. 1.00, sponsored by Ms. Sheena Kight-Garlich.

MT. CARMEL'S FILING

Petitioner is an Illinois corporation that provides electric and natural gas service to the public in Mt. Carmel, Illinois, and portions of the surrounding area in Wabash County and Lawrence County, Illinois. In Docket 96-0366, Petitioner obtained authorization from the Commission to consolidate debt and issue a note up to \$4,500,000 to Security Bank and Trust Co., now Old National Bank of Evansville, Indiana (hereinafter "Old National Bank"). Said note was to bear ICC Identification No. 5993. This note has subsequently been modified to lower the interest rate and extend the maturity. The balance as of March 1, 2007, was \$1,781,090.00

Mt. Carmel incurred capital expenditures for construction of a new electric substation and transmission lines to enhance reliability and to allow for future growth within its system. Mt. Carmel borrowed \$1,300,000 on a short-term note from Old National Bank to fund these projects. Other ongoing capital expenditures and operating costs necessitated the establishment of a \$1,000,000 line of credit borrowed at Old National Bank.

Mt. Carmel states that it negotiated with Old National Bank for restructuring of current debt and for borrowing of additional funds. The terms of the negotiated loan are for \$8,000,000 with an interest rate of 1.5% over the London Interbank Overnight Rate (LIBOR) as reported in *The Wall Street Journal*. The consolidated note will be for a primary term of five (5) years and allow for interest payments only. The terms also allow Mt. Carmel to utilize various options such as zero sum interest cap and interest swap. (Mt. Carmel stated that it will not utilize these options without seeking further approval from the Commission.) A Financing Statement and Security Agreement with mortgage of property will also be required. There is no affiliated interest between Mt. Carmel and Old National Bank.

Mt. Carmel asserts that this form of financing is the most efficient and practical for Mt. Carmel, because it is not large enough to use more common utility financing such as bond issuances or additional stock issuances. Furthermore, Petitioner states that the ability to pay interest only on the note will allow it to utilize the additional funds borrowed as an addition to its capital structure for future capital projects, thereby allowing it to maintain more consistent cash flows. Mr. Long also stated that the loan will result in a capital structure of 52.04% long term debt to 47.96% common equity, which is within a traditional range for utilities similar to Mt. Carmel.

Mt. Carmel does not object to Staff's position that the fee should apply to the full \$8,000,000, and states that it will pay a fee in the amount of \$19,200, which was calculated on the full \$8,000,000.

STAFF'S RESPONSE

Mt. Carmel's proposal is subject to Section 6-101 of the Act, which requires the Commission to provide proper identification numbers on the proposed 2007 indebtedness when it is issued.

Mt. Carmel's proposal also is subject to Section 6-102(a) of the Act, which requires Commission authorization prior to issuing indebtedness for a term over twelve months. That Section also requires an assessment of the amount and purpose of the financing. Staff states that, based upon its review, the \$8,000,000 proceeds of the borrowing are reasonably required to finance utility assets and to refinance existing indebtedness.

Petitioner's proposal additionally is subject to Section 6-102(b), which provides that authorization of applications to issue securities may be withheld, in whole or in part, upon a finding that the issue of such securities would be contrary to the public interest. Staff states that, based upon its review, the issuance is not contrary to the public interest.

Staff further states that Petitioner's proposal is subject to Section 6-108, including the proceeds Mt. Carmel contemplates using for the purposes of retiring existing indebtedness, because that indebtedness remains outstanding without prior Commission consent. Petitioner shall be required to pay an amount equal to 24 cents

for every \$100 of the \$8,000,000 principal amount of indebtedness authorized by the Commission for which no fee has been previously paid. Staff calculates a fee of \$19,200 is due upon the \$8,000,000.

Staff also notes that the proposal is subject to 83 Ill. Adm. Code 240 ("Reports of Issuance and Sale or Disposal of Securities and the Application of Proceeds (General Order 129)") (hereinafter "Part 240"). Part 240 requires Petitioner to file reports relative to the issuance and sale of the mortgage bonds and the application of the proceeds, unless otherwise ordered.

COMMISSION CONCLUSION

The Commission concludes that the proposed debt restructuring and additional capital funds to be borrowed from Old National Bank are reasonable. The proceeds should be used to retire existing short term and long term debt, and the balance of the funds should be used financing utility assets. The new indebtedness is not contrary to the public interest, and will not adversely affect the financial condition of Mt. Carmel. Old National Bank is not an affiliated interest of Mt. Carmel. The terms of the loan should be approved.

The promissory note shall contain on its face Identification Number 6444. Staff calculated that the fee pursuant to 220 ILCS 5/6-108 should be paid to the Commission in the amount of \$19,200. Within 30 days after service of this Order, Mt. Carmel shall pay said fee to the Commission.

After execution of the promissory note and upon the transfer of the borrowed funds, Mt. Carmel shall file a first and final report with the Commission pursuant to 83 Ill. Adm. Code Part 240. The report shall state that the funds have been received, that the current indebtedness has been paid, and that the remaining balance of the funds have been put into the corporate capital structure for financing utility plant.

FINDINGS AND ORDERING PARAGRAPHS

Having considered the record and being fully advised in the premises, the Commission is of the opinion and finds that:

- (1) Mt. Carmel Public Utility Company is an Illinois corporation engaged in the transmission and distribution of electricity and in the distribution of natural gas to the public in Illinois, and therefore is a public utility as defined in the Public Utilities Act;
- (2) the Commission has jurisdiction over Mt. Carmel Public Utility Company and of the subject matter of this proceeding;
- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) Old National Bank is not an affiliated interest of Petitioner;

- (5) the proceeds from the issuance of the note are reasonably required to retire short term and long term debt and to finance utility assets;
- (6) approval should be granted to Petitioner for the issuance of a note to Old National Bank, in a principal amount not to exceed \$8,000,000, in the form of MCPU Exhibit 1.1, and for the execution of documents necessary therewith for Old National Bank to perfect and secure its loan.

IT IS THEREFORE ORDERED that approval is granted to Mt. Carmel Public Utility Company to issue a note to Old National Bank in the principal amount not to exceed \$8,000,000, in the form of MCPU Exhibit 1.1, and to execute other necessary documents in connection therewith for Old National Bank to perfect and secure its loan, so long as the proceeds realized from the issuance of the note are used only to retire short term and long term debt and to finance utility plant.

IT IS FURTHER ORDERED that Petitioner shall, before the issuance and delivery of the note herein authorized, cause the following to be placed on the face thereof:

ILLINOIS COMMERCE COMMISSION
Identification No. 6444

IT IS FURTHER ORDERED that Mt. Carmel shall file a report as required by 83 Adm. Code 240 relative to the issuance and disposition of the note and the application of the proceeds thereof as outlined above.

IT IS FURTHER ORDERED that Mt. Carmel is charged a fee of twenty-four cents for each \$100 of the \$8,000,000 principal amount of the note; such fee amounts to \$19,200 and shall be paid in the manner specified in Section 6-108 of the Public Utilities Act.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 25th day of July, 2007.

(SIGNED) CHARLES E. BOX

Chairman